

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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E.O. 11652: NA
TAGS: EIND EG
SUBJ: IDLE CAPACITY IN EGYPTIAN INDUSTRY

REF: STATE 062196

1. IN 1974 THE IBRD ESTIMATED EGYPT'S IDLE INDUSTRIAL CAPACITY TO BE ABOUT 32 PERCENT OF THE THEN IDENTIFIED TOTAL OUTPUT CAPACITY. THIS FIGURE REPRESENTED IDLE CAPACITY CAUSED BY SHORTFALL IN NECESSARY IMPORTS (EITHER FOR RAW MATERIALS OR REHABILITATION) DUE TO THE STRICTURES FACING GOE'S FOREIGN EXCHANGE BUDGET. MOST SERIOUSLY AFFECTED WERE CHEMICAL, ENGINEERING, METALURGICAL AND BUILDING SECTORS. RAW MATERIAL PRICE INCREASES IN 1974 COUPLED WITH A SLOWDOWN IN BILATERAL CLEARING ACCOUNT AGREEMENT DELIVERIES WERE MAJOR REASON FOR SHORTFALL IN IMPORTS. THE IBRD ESTIMATED THAT COMMODITY IMPORT AID FOR 1974-75 SHOULD BE SUFFICIENT TO RESTORE MOST IDLE CAPACITY.

2. THIS PROBLEM HAS, HOWEVER, CONTINUED TO PLAGUE INDUSTRIAL SECTOR. WHILE CERTAINLY DOWN FROM THE HIGH FIGURE OF 1974, IT NEVERTHELESS REPRESENTS A PERSISTENT WORRY FOR ECONOMIC PLANNERS. IDLE CAPACITY IN 1976
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MAY HAVE BEEN DUE TO A COMBINATION OF FACTORS: (A) CONTINUED LACK OF FOREIGN EXCHANGE FOR RECURRING RAW MATERIAL REQUIREMENTS (REPORTEDLY 1976 CAPITAL AND INTERMEDIATE GOODS IMPORT BUDGET WAS PARTIALLY ELIMINATED BECAUSE OF FOREIGN EXCHANGE SHORTAGES) OR (B) BECUASE OF POOR RECORD FOR COMPLETION OF BASIC INDUSTRIAL PROJECTS UNDERTAKEN IN PAST SEVERAL YEARS. THE LATTER

REASON IS, OF COURSE, MORE STRUCTURAL AND LESS EASY TO SOLVE SIMPLY BY AN IMPROVEMENT IN FOREIGN EXCHANGE POSITION. COMPLETING UNFINISHED DEVELOPMENT PROJECTS, USUALLY A HIGH PRIORITY IN GOE PLANNING DOCUMENTS, AND MODERNIZING EXISTING FACILITIES ARE TWO WAYS TO HELP REMEDY THIS PROBLEM. AN INFORMED ESTIMATE OF CURRENT UNDERUTILIZED CAPACITY WOULD BE 10-20 PERCENT, THE LOWER FIGURE REPRESENTING THE LESS-EASILY SOLVED STRUCTURAL DEFICIENCIES.

3. WE UNDERSTAND THAT RECENTLY COMPLETED BUT NOT YET AVAILABLE IBRD PROGRAM LOAN JUSTIFICATION MAY HAVE SOME MORE RECENT STATISTICS ON IDLE INDUSTRIAL CAPACITY.
EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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